

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 PRS-01 PA-04

USIA-15 DRC-01 /184 W

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R 071403Z MAR 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 3601

INFO AMEMBASSY JIDDA

AMEMBASSY PARIS

AMCONSUL MILAN

AMCONSUL FLORENCE

AMCONSUL NAPLES

LIMITED OFFICIAL USE ROME 3197

E.O. 11652: N/A

TAGS: ENRG, SA, IT

SUBJECT: SAUDI CRUDE REPORTEDLY FOR SALE

1. BEGIN SUMMARY: REPRESENTATIVE OF A LARGE ITALIAN FINANCIAL COMPANY HAS INFORMED EMBASSY OF SIGNIFICANT QUANTITY OF SAUDI CRUDE REPORTEDLY AVAILABLE AT BELOW MARKET PRICE TO AMERICAN BUYER OTHER THAN THE FIVE US INTERNATIONAL MAJORS. SOURCE SUBSEQUENTLY CALLED MARCH 6 TO WITHDRAW THE OFFER FOR THE TIME BEING, EXPLAINING THAT SOME OF THE OIL IS BEING TAKEN BY ITALIAN PURCHASERS AND POSSIBLY WITHIN A WEEK IT WILL BE CLEAR HOW MUCH REMAINS AVAILABLE. END SUMMARY.

2. ASSISTANT MANAGER OF EURAMERICA FINANZIARIA INTERNAZIONALE, WHOM WE DO NOT KNOW PERSONNALLY ALTHOUGH HIS FIRM IS A WELL ESTABLISHED ITALIAN FINANCIAL COMPANY, HAS CONTACTED THE EMBASSY
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ON BEHALF OF A PARIS COMPANY-WHICH REPORTEDLY HAS BETWEEN 3-20

MILLION TONS OF SAUDI ARAB LIGHT CRUDE AVAILABLE FOR SALE WITHIN NEXT SIX MONTHS AT PRICE OF \$2.50-\$3.50/BARREL BELOW CURRENT MARKET PRICE (SOURCE THOUGHT THAT THE PRICE, INCLUSIVE OF ALL COMMISSIONS, WOULD BE BETWEEN \$8.50 AND 10.20/BARREL. UNSPECIFIED QUANTITIES OF THIS OIL ARE REPORTEDLY BEING SOLD TO A NUMBER OF ITALIAN BUYERS, INCLUDING MORATTI AND S.I.R. (SOCIETA ITALIANA RESINE), AND WE ARE TOLD THAT THE CRUDE IS AVAILABLE TO INTERESTED AMERICAN BUYERS WITH EXCEPTION OF THE FIVE US INTERNATIONAL MAJORS.

3. THE OIL IN QUESTION, ACCORDING TO OUR SOURCE, IS PART OF SURPLUS RECENTLY ACCUMULATED BY SAUDIS WHICH THEY HAVE BEEN UNABLE TO MARKET. SOURCE STATES THAT THE PARIS FIRM DISPOSING OF THE OIL IS IN HANDS OF KING FEISAL'S SON AND OPERATING WITH FEISAL'S FULL KNOWLEDGE AND AUTHORIZATION. SOURCE IMPLIED THAT SAUDIS ANXIOUS TO MARKET THIS OIL AS QUICKLY AS POSSIBLE.

4. THIS IS FIRST TIME EMBASSY HAS BEEN APPROACHED WITH SUCH AN OFFER. WE REMARKED TO SOURCE THAT THE OFFER STRUCK US AS BEING QUITE UNUSUAL (I.E., IN TERMS OF EMBASSY CHANNEL BEING USED AND IN VIEW OF FACT THAT ARAB EMBARGO HAS NOT YET BEEN RESCINDED), AND THAT WHILE EMBASSY CANNOT OPERATE AS AN OIL BROKER WE WOULD BRING THE OFFER TO THE ATTENTION OF WASHINGTON. SOURCE ASKED THAT WE HANDLE THE MATTER AS DISCRETELY AS POSSIBLE. IN ORDER TO CONVINCE US OF SERIOUSNESS OF PROPOSAL, SOURCE STATED THAT PARIS FIRM IS WILLING TO PAY TRIP TO SAUDI ARABIA FOR POTENTIAL CUSTOMERS.

5. SOURCE SUBSEQUENTLY CONTACTED EMBASSY MARCH 6, ASKING THAT WE HOLD OFF INFORMING POTENTIAL US BUYERS OF THE OFFER. HE EXPLAINED THAT SOME OF THE CRUDE IS PRESENTLY BEING TAKEN BY ITALIANS AND HE WILL NOT KNOW FOR A WEEK OR SO QUANTITIES THAT WILL REMAIN AVAILABLE. HE STATED HE WOULD BE CONTACTING US FURTHER ON THE SUBJECT.

6. WE ARE REPORTING ABOVE AS BEING OF POSSIBLE INTEREST TO BOTH DEPARTMENT AND JIDDA.VOLPE

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